



Okhahlamba Local Municipality
(Registration number KZN 235)
Annual Financial Statements
for the year ended June 30, 2016

Okhahlamba Local Municipality

(Registration number KZN 235)

Annual Financial Statements for the year ended June 30, 2016

General Information

Legal form of entity	Local Municipality
Municipality demarcation code	KZN 235
Capacity	Low
Nature of business and principal activities	<p>Service Delivery: Rates,Waste Management and General services.</p> <p>Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development</p> <p>The mandate of the municipality is in terms of section 152 on the Constitution of South Africa</p>
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	Mr S. B. Ndabandaba B Com Accounting, CPMD
Accounting Officer	Mr S.D. Sibande BAed, BTech Management,CPMD,MBA
Councillors	<p>Mayor - Cllr. DT Sibeko</p> <p>Deputy Mayor - Cllr. SZ Khumalo</p> <p>Speaker - Cllr. G Ndaba</p> <p>Member of the Executive Committee - Cllr. BH Zikode</p> <p>Member of the Executive Committee - Cllr. MP Vilakazi</p> <p>Member of the Executive Committee - Cllr. BR Hlongwane</p> <p>Cllr MJ Hadebe</p> <p>Cllr. MC Zondo</p> <p>Cllr. MN Dubazane</p> <p>Cllr. MV Hlatshwayo</p> <p>Cllr. BE Nene</p> <p>Cllr. BL Ngwenya</p> <p>Cllr. KI Hadebe</p> <p>Cllr. TM Ndaba</p> <p>Cllr. K Simelane</p> <p>Cllr. PAM Mfuphi</p> <p>Cllr. BC Mabizela</p> <p>Cllr. SG Sikhakhane</p> <p>Cllr. NR Hlongwane</p> <p>Cllr. TA Ngwenya</p> <p>Cllr. DS Ndaba</p> <p>Cllr MB Dubazane</p> <p>Cllr. ZZ Shange</p> <p>Cllr. MW Hadebe</p> <p>Cllr. WE Goulding</p> <p>Cllr. FE Buthelezi</p> <p>Cllr. KA Mazibuko</p> <p>Cllr.SC Hadebe</p>

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

General Information

Registered office	259 Kingsway Road Bergville 3350
Business address	259 Kingsway Road Bergville 3350
Postal address	P. O. Box 71 Bergville 3350
Bankers	First National Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Senior Accountant and reviewed by Chief Financial Officer and Internal Audit

Okhahlamba Local Municipality

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Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
COGTA	Cooperative Governance and Traditional Affairs
SETA WIL	Sectorial Education and Training Authority Work Integrated Learning
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IGRAP	Interpretation of Generally Accepted Accounting Policies
LGSETA	Local Government Sectorial Education and Training Authority
SARS	South African Revenue Services

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Approval of Annual Financial Statements

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited financial statements set out on pages 5 to 68, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016.

Mr S.D. Sibande
BAed,BTech Management,CPMD,MBA

Date of Signature

Wednesday, August 31, 2016

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	129,253	1,031,659
Receivables from non-exchange transactions	7	350,108	176,460
VAT receivable	8	4,249,733	2,653,512
Consumer debtors	9	23,407,981	18,172,590
Cash and cash equivalents	10	41,431,156	45,227,296
		69,568,231	67,261,517
Capital Budget			
Commitments	3	248,494,377	195,414,583
Intangible assets	4	817,792	628,177
		249,312,169	196,042,760
Non-Current Assets		249,312,169	196,042,760
Current Assets		69,568,231	67,261,517
Total Assets		318,880,400	263,304,277
Liabilities			
Current Liabilities			
Finance lease obligation	11	4,462,059	4,865,879
Payables from exchange transactions	14	15,640,240	12,880,645
Unspent conditional grants and receipts	12	20,332,911	14,353,925
Provisions	13	829,100	625,141
		41,264,310	32,725,590
Non-Current Liabilities			
Finance lease obligation	11	4,540,559	7,817,081
Employee benefit obligation	5	2,337,741	1,547,124
Provisions	13	3,957,161	5,112,844
		10,835,461	14,477,049
Non-Current Liabilities		10,835,461	14,477,049
Current Liabilities		41,264,310	32,725,590
Total Liabilities		52,099,771	47,202,639
Assets		318,880,400	263,304,277
Liabilities		(52,099,771)	(47,202,639)
Net Assets		266,780,629	216,101,638
Accumulated surplus		266,780,629	216,101,638

* See Note 35

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Statement of Financial Performance

Restated*

Revenue

Revenue from exchange transactions

Service charges	17	1,906,783	400,869
Rendering of services		266,058	472,298
Rental of facilities and equipment		78,416	72,926
Agency services		682,382	599,834
Other income	20	761,454	1,672,122
Interest received	25	3,848,570	3,910,304

Total revenue from exchange transactions

7,543,663 7,128,353

Revenue from non-exchange transactions

Taxation revenue

Property rates	16	24,789,106	23,827,121
Property rates - penalties imposed	16	4,185,197	3,426,506

Transfer revenue

Government grants & subsidies	18	169,036,270	134,651,173
Public contributions and donations	19	1,198,665	319,055
Fines		889,252	591,271
Subsidies		1,089,265	1,230,705

Total revenue from non-exchange transactions

201,187,755 164,045,831

Total revenue

15 **208,731,418 171,174,184**

Expenditure

Employee related costs	22	(48,796,141)	(42,887,033)
Remuneration of councillors	23	(8,604,997)	(8,182,221)
Retirement benefits	5	(263,699)	(454,003)
Depreciation and amortisation	26	(15,620,781)	(13,568,462)
Impairment loss/ Reversal of impairments	27	-	(662,887)
Finance costs	28	(1,347,178)	(1,680,088)
Operating Lease	30	(788,127)	-
Debt Impairment	24	(3,786,563)	(2,079,806)
Landfill Rehabilitation		(102,106)	(422,161)
Repairs and maintenance		(3,937,137)	(2,777,265)
General Expenses	21	(72,071,242)	(60,795,325)

Total expenditure

(155,317,971) (133,509,251)

Total revenue 208,731,418 171,174,184

Total expenditure (155,317,971) (133,509,251)

Operating surplus

53,413,447 37,664,933

Loss on disposal of assets and liabilities (2,671,881) (9,495,433)

Deemed cost of assets - 57,071

Actuarial gains/losses 5 (526,918) 780,694

Gain/Loss on provision 464,344 -

(2,734,455) (8,657,668)

Operating surplus/deficit (2,734,455) (8,657,668)

Surplus before taxation 50,678,992 29,007,265

Taxation - -

Surplus for the period

50,678,992 29,007,265

* See Note 35

Okhahlamba Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2014	187,094,373	187,094,373
Changes in net assets		
Surplus for the period	29,007,265	29,007,265
Total changes	29,007,265	29,007,265
Restated* Balance at July 1, 2015	216,101,637	216,101,637
Changes in net assets		
Surplus for the year	50,678,992	50,678,992
Total changes	50,678,992	50,678,992
Balance at June 30, 2016	266,780,629	266,780,629

* See Note 35

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, and other		28,017,726	30,714,105
Grants		175,015,256	137,472,802
Interest income		3,848,570	3,910,304
		<u>206,881,552</u>	<u>172,097,211</u>
Payments			
Employee costs		(57,664,357)	(50,742,564)
Suppliers		(75,540,912)	(69,283,119)
Finance costs		(1,347,178)	(1,680,088)
		<u>(134,552,447)</u>	<u>(121,705,771)</u>
Total receipts		206,881,552	172,097,211
Total payments		(134,552,447)	(121,705,771)
Net cash flows from operating activities	31	<u>72,329,105</u>	<u>50,391,440</u>
Cash flows from investing activities			
Purchase of commitments	3	(72,475,108)	(45,117,653)
Proceeds from disposal of assets	3	527,142	210,900
Purchase of other intangible assets	4	(407,506)	(252,481)
Net cash flows from investing activities		<u>(72,355,472)</u>	<u>(45,159,234)</u>
Cash flows from financing activities			
Finance lease payments		(3,769,774)	(2,803,098)
Net cash flows from financing activities		<u>(3,769,774)</u>	<u>(2,803,098)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(3,796,141)</u>	<u>2,429,108</u>
Cash and cash equivalents at the beginning of the year		45,227,296	42,798,188
Cash and cash equivalents at the end of the year	10	<u>41,431,155</u>	<u>45,227,296</u>

* See Note 35

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	387,224	1,517,577	1,904,801	1,906,783	1,982	
Rendering of services	396,438	9,356	405,794	266,058	(139,736)	a
Rental of facilities and equipment	105,334	500	105,834	78,416	(27,418)	b
Agency Services	481,800	154,775	636,575	682,382	45,807	c
Other income	400,338	48,000	448,338	761,454	313,116	d
Interest received - investment	2,268,063	-	2,268,063	3,848,570	1,580,507	e
Gains on disposal of assets	-	354,000	354,000	-	(354,000)	
Total revenue from exchange transactions	4,039,197	2,084,208	6,123,405	7,543,663	1,420,258	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30,584,355	267,908	30,852,263	28,974,303	(1,877,960)	f
Subsidies	1,076,000	-	1,076,000	1,089,265	13,265	
Transfer revenue						
Government grants & subsidies	141,559,000	39,924,593	181,483,593	169,036,270	(12,447,323)	g
Public contributions and donations	-	-	-	1,198,665	1,198,665	h
Fines	374,936	32,200	407,136	889,252	482,116	i
Total revenue from non-exchange transactions	173,594,291	40,224,701	213,818,992	201,187,755	(12,631,237)	
'Total revenue from exchange transactions'	4,039,197	2,084,208	6,123,405	7,543,663	1,420,258	
'Total revenue from non-exchange transactions'	173,594,291	40,224,701	213,818,992	201,187,755	(12,631,237)	
Total revenue	177,633,488	42,308,909	219,942,397	208,731,418	(11,210,979)	
Expenditure						
Employee related costs	(43,400,994)	(5,963,178)	(49,364,172)	(48,796,141)	568,031	j.
Remuneration of councillors	(7,765,296)	(843,015)	(8,608,311)	(8,604,997)	3,314	k
Retirement benefits	-	-	-	(263,699)	(263,699)	l
Depreciation and amortisation	(12,963,451)	(7,137,411)	(20,100,862)	(15,620,781)	4,480,081	m
Finance costs	(487,152)	(3,133,081)	(3,620,233)	(1,347,178)	2,273,055	n
Operating Lease	(900,322)	-	(900,322)	(788,127)	112,195	o
Debt Impairment	(2,581,680)	(2,000,000)	(4,581,680)	(3,786,563)	795,117	p
Landfill site expense	-	-	-	(102,106)	(102,106)	
Repairs and maintenance	(11,522,568)	2,453,654	(9,068,914)	(3,937,137)	5,131,777	q
General Expenses	(54,296,537)	(24,992,000)	(79,288,537)	(72,071,242)	7,217,295	r
Total expenditure	(133,918,000)	(41,615,031)	(175,533,031)	(155,317,971)	20,215,060	
	177,633,488	42,308,909	219,942,397	208,731,418	(11,210,979)	
	(133,918,000)	(41,615,031)	(175,533,031)	(155,317,971)	20,215,060	

Okhahlamba Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating surplus	43,715,488	693,878	44,409,366	53,413,447	9,004,081	
Loss on disposal of assets and liabilities	-	-	-	(2,671,881)	(2,671,881)	s
Actuarial gains/losses	-	-	-	(526,918)	(526,918)	t
Gain/Loss on provision	-	-	-	464,344	464,344	
	-	-	-	(2,734,455)	(2,734,455)	
	43,715,488	693,878	44,409,366	53,413,447	9,004,081	
	-	-	-	(2,734,455)	(2,734,455)	
Surplus after gains/losses	43,715,488	693,878	44,409,366	50,678,992	6,269,626	
Surplus for the period	43,715,488	693,878	44,409,366	50,678,992	6,269,626	
	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	43,715,488	693,878	44,409,366	50,678,992	6,269,626	

Significant increase/decrease above and below 10% is explained as per the below;

- a) Rendering of Services, depends on building plans the community request for approval by the municipality and burial fees how often the community need the service from the municipality.
- b) Rental of facilities, these depends on the halls demand from the community for hiring of municipal halls.
- c) Agency fees, these are money's from the license and permit, annual increase id done by the KZN Revenue not by the municipality.
- f) Property rates, new interim valuation roll was issued just after the year end which affected the property market values.
- d) Other Income, Collection on traffic fines, tender fees etc. Depends on the bid documents sold, collection enforcement on traffic fines.
- e) Interest received, interest rate vary on a day to day basis, and investments increased due to the money invested during the year.
- g) Government grants include conditions met transferred to revenue. The difference is the course of the following;
 - Conditions still to be met from Massification grant R10 316 176 (see note 12)
 - Subsidies actual amount (R1 089 265) being included on other revenue but budgeted under Grants and Subsidies Budgeted amount for LGSETA Grant of R5 901 100 but grant received amount to R5 469 200
- m) Depreciation, different being the incomplete projects that were planned to be completed in the current year were not depreciated.
- n) Finance costs, different being new leases of photocopiers were reclassified as operating leases due to the substance of the contracts.
- o) Operating lease, new leases of photocopiers were reclassified as operating leases due to the substance of the contracts and were originally budgeted under finance leases.
- p) Debt impairment, different being after the exercise performed on assessing the consumer debtors to provide doubtful debts and write offs
- q) Repairs and maintenance, New projects being implemented and just been completed and few needed to be maintained. Plant bought previously still in good condition and within the life span, resulting to no major repairs required.
- r) General Expenses, the different being the budgeted amount of R 2 051 440 for assets impairment, there were no assets impaired during and towards the end of the year due to the assets assessment conducted on assets.

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Annual Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

- s) Loss on disposal of assets, the municipality could not detect at the time of the budget that the assets to be disposed will have a loss impact.
- t) Actuarial gains, these are the estimations used by the independent valuers at the end of the year for actuarial report.
- l) Retirement benefits, these are the estimations used by the independent valuers at the end of the year for actuarial report.
- h) Public donations, the municipality had no information that any goods or services will be donated to the municipality.
- i) Fines, this is a result of traffic fines issued in the previous year but only received/paid in 2015/16 financial year.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Position

Assets

Capital Budget

Capital	81,062,302	2,736,333	83,798,635	73,292,900	(10,505,735)	
Non-Current Assets	-	-	-	-	-	
Current Assets	81,062,302	2,736,333	83,798,635	73,292,900	(10,505,735)	
Total Assets	81,062,302	2,736,333	83,798,635	73,292,900	(10,505,735)	
Assets	81,062,302	2,736,333	83,798,635	73,292,900	(10,505,735)	
Liabilities	-	-	-	-	-	
Net Assets	81,062,302	2,736,333	83,798,635	73,292,900	(10,505,735)	

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

1.4 Commitments

Commitments are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of commitments is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Commitments is initially measured at cost.

The cost of an item of commitments is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of commitments is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of commitments have different useful lives, they are accounted for as separate items (major components) of commitments.

Costs include costs incurred initially to acquire or construct an item of commitments and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of commitments, the carrying amount of the replaced part is derecognised.

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Annual Financial Statements for the year ended June 30, 2016

Accounting Policies

1.4 Commitments (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of commitments, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of commitments ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of commitments.

Major inspection costs which are a condition of continuing use of an item of commitments and which meet the recognition criteria above are included as a replacement in the cost of the item of commitments. Any remaining inspection costs from the previous inspection are derecognised.

Commitments is carried at cost less accumulated depreciation and any impairment losses.

Commitments are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of commitments have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Plant and machinery	Straight line	3 - 15
Motor vehicles	Straight line	5
Office equipment	Straight line	3 - 10
IT equipment	Straight line	5 - 10
Infrastructure	Straight line	
• Roads - Gravel		3 - 10
• Roads - Tar		10 - 15
• Paving		5 - 30
Community	Straight line	
• Solid waste disposal		10 - 15
• Community Assets		5 - 20
Leased Assets	Straight line	3 - 5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of commitments with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of commitments are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of commitments is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of commitments is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average Useful life
Computer software, other	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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Accounting Policies

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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1.6 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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Accounting Policies

1.6 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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Accounting Policies

1.6 Financial instruments (continued)

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions.

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Accounting Policies

1.6 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

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1.9 Impairment of non-cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

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Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.10 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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Accounting Policies

1.10 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset .

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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Accounting Policies

1.10 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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Accounting Policies

1.11 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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Accounting Policies

1.11 Provisions and contingencies (continued)

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the various site discounted back to the statement of position at the cost of capital, which is currently 2% (2015: 9%).

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

The asset is measured using the cost model :

- a) subject to (b), changes in the liability are added to, deducted from, the cost of the related assets in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
 - Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- Commitments are disclosed inclusive of VAT.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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Accounting Policies

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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Accounting Policies

1.22 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Okhahlamba Local Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 1, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

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Annual Financial Statements for the year ended June 30, 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 1, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after April 1, 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2016 or later periods but are not relevant to its operations:

3. Commitments

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,562,868	-	3,562,868	3,562,868	-	3,562,868
Buildings	106,334,215	(15,773,886)	90,560,329	64,516,584	(12,803,048)	51,713,536
Plant and machinery	3,274,373	(552,313)	2,722,060	1,510,071	(439,252)	1,070,819
Building under construction	11,201,315	-	11,201,315	24,838,957	-	24,838,957
Motor vehicles	5,515,607	(1,532,223)	3,983,384	4,684,559	(844,583)	3,839,976
Office equipment	3,788,695	(1,560,487)	2,228,208	2,883,366	(1,141,395)	1,741,971
IT equipment	2,586,222	(1,006,220)	1,580,002	1,731,746	(824,124)	907,622
Infrastructure - Asset under construction	12,854,555	-	12,854,555	24,866,574	-	24,866,574
Infrastructure	138,842,993	(28,954,583)	109,888,410	93,361,942	(25,395,849)	67,966,093
Community	1,229,388	(154,466)	1,074,922	4,945,538	(2,223,330)	2,722,208
Leased Assets	21,798,519	(12,960,195)	8,838,324	23,155,189	(10,971,230)	12,183,959
Total	310,988,750	(62,494,373)	248,494,377	250,057,394	(54,642,811)	195,414,583

Okhahlamba Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

3. Commitments (continued)

Reconciliation of commitments - 2016

	Opening balance	Additions	Additions assets under constructions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Building under construction	24,838,957	-	31,442,979	-	(45,080,621)	-	-	11,201,315
Buildings	51,713,536	305,304	-	(193,813)	41,773,679	-	(3,038,377)	90,560,329
Community	2,722,208	13,000	-	-	-	(793,445)	(866,841)	1,074,922
IT equipment	907,622	1,039,496	-	(50,683)	-	-	(316,433)	1,580,002
Infrastructure	67,966,093	31,700	-	(2,401,707)	51,136,525	-	(6,844,201)	109,888,410
Infrastructure - Asset under construction	24,866,574	-	35,817,517	-	(47,829,536)	-	-	12,854,555
Land	3,562,868	-	-	-	-	-	-	3,562,868
Leased Assets	12,183,959	-	-	(436,823)	-	-	(2,908,812)	8,838,324
Motor vehicles	3,839,976	831,049	-	-	-	-	(687,641)	3,983,384
Office equipment	1,741,971	1,032,312	-	(76,110)	-	-	(469,965)	2,228,208
Plant and machinery	1,070,819	1,961,751	-	(39,887)	-	-	(270,623)	2,722,060
	195,414,583	5,214,612	67,260,496	(3,199,023)	-	(793,445)	(15,402,893)	248,494,377

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Notes to the Annual Financial Statements

Figures in Rand

3. Commitments (continued)

Reconciliation of commitments - 2015

	Opening balance	Additions	Additions assets under constructions	Disposals	Newly identified assets	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Building under construction	18,352,884	-	13,450,005	-	-	(6,963,932)	-	-	-	24,838,957
Buildings	47,385,410	350,689	-	(7,165)	-	6,758,055	-	(2,758,603)	(14,850)	51,713,536
Community	2,204,275	1,244,916	-	(127,318)	-	88,828	-	(688,493)	-	2,722,208
IT equipment	947,194	467,936	-	(305,613)	35,648	-	-	(237,510)	(33)	907,622
Infrastructure	60,773,566	-	-	-	-	13,376,100	-	(5,565,683)	(617,890)	67,966,093
Infrastructure - Asset under construction	19,069,795	-	27,164,919	(7,967,890)	-	(13,400,250)	-	-	-	24,866,574
Land	3,562,868	-	-	-	-	-	-	-	-	3,562,868
Leased Assets	15,159,734	518,341	-	(460,102)	-	-	-	(3,034,014)	-	12,183,959
Motor vehicles	3,859,433	910,094	-	(372,892)	-	-	-	(556,659)	-	3,839,976
Office equipment	1,918,981	502,512	-	(291,075)	15,809	-	6,831	(409,554)	(1,533)	1,741,971
Plant and machinery	794,861	508,241	-	(174,278)	5,613	141,200	-	(176,237)	(28,581)	1,070,819
	174,029,001	4,502,729	40,614,924	(9,706,333)	57,070	1	6,831	(13,426,753)	(662,887)	195,414,583

Pledged as security

There are no assets pledged as a security.

Assets donations

The following assets were received by the Municipality during 2015/2016 in a form of donations.

1. Computer Equipment
2. Furniture Equipment
3. Plant and machinery

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Annual Financial Statements for the year ended June 30, 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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3. Commitments (continued)

Deemed cost

Aggregate of items valued using deemed cost	-	35,763
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Deemed cost was determined using fair value as at 30 June 2015 .

Okhahlamba Local Municipality

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Annual Financial Statements for the year ended June 30, 2016

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,570,471	(752,679)	817,792	1,162,965	(534,788)	628,177

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	628,177	407,506	(217,891)	817,792

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	517,406	252,481	(141,710)	628,177

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Figures in Rand	2016	2015
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5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality operates an accredited medical aid scheme. The post retirement medical aid plan, to which 2016: 1 member belongs, consists of the Key Health Medical Scheme. Pensioners continue on the option they belong to on the day of their retirement.

The independent valuers, carried out a statutory valuation on 30 June 2016.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.30 %	8.20 %
Health care cost inflation rate	9.10 %	8.10 %
Benchmark inflation (equal to salary inflation)	8.60 %	7.60 %

The amounts recognised in the statement of financial position were

Post retirement medical obligation	201,751	190,134
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Reconciliation of the movement in the liability

Opening balance	190,134	187,824
Interest cost	14,551	14,256
Expected employer benefit payments	(23,852)	(22,252)
Actuarial (gains) / loss	20,918	10,306
	201,751	190,134

Net expense recognised in the statement of financial performance

Interest cost	14,551	14,256
Expected employer benefit payments	(23,852)	(22,252)
Actuarial (gains) / losses	20,918	10,306
	11,617	2,310

Post retirement pension plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.

Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2016 interim valuations have not been released.

Superannuation funds

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2015 concluded that:

The Fund's liabilities for service to the valuation date was 100% (2015: 100 %) funded on the discounted cash flow method

At the valuation date:

The fund is 100% funded on the "best estimate" basis as of the valuation date, but that is not fully funded on the "financial soundness" basis incorporating the full solvency reserve.

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Annual Financial Statements for the year ended June 30, 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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5. Employee benefit obligations (continued)

There was no deficit in respect of active members. A surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 01 August 2012 to meet the deficit.

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Retirement fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2015 reflected:

The memorandum account in respect of pensioners was fully funded

Based on the valuation assumptions applied in 2000, the Fund was fully funded, however based on revised assumptions the Funds liabilities for the contributory members exceeded the value of the assets and an extension of the surcharge for another 5 years would be necessary to return the funding level to 100%.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2015 reflected:

The Fund is 96.1% (2014: 90.6%) funded as at the valuation date at the overall level. A number of members is steadily reducing, due to members electing to transfer to one of other Natal Joint Funds or external fund. A recommendation is the current surcharge of 17,5% of pensionable salaries continues to be paid towards eliminating the deficit in the fund

Provident fund

The latest statutory valuation of the Provident Fund was performed as at 31 March 2012 and the interim valuation as at 31 March 2015 revealed that the fund was in a sound financial position.

Long service awards

The independent valuers, carried out a statutory valuation on the long service leave benefit on 30 June 2016.

The principal actuarial assumptions used were as follows:

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Figures in Rand	2016	2015
5. Employee benefit obligations (continued)		
Discount rate per annum	9.00 %	8.50 %
Inflation rate per annum	6.80 %	6.20 %
Salary increase rate per annum	7.80 %	8.20 %
Active members	122	122
The amounts recognised in the statement of financial position		
Post retirement gratuity obligation	2,135,990	1,356,990
Reconciliation in the movement of liability		
Opening balance	1,356,990	1,685,990
Past service cost	-	-
Interest cost	129,000	143,000
Expected employer benefit payments/Current service cost	187,000	319,000
Actuarial (gains) / losses	506,000	(791,000)
less municipality paid benefits	(43,000)	-
	2,135,990	1,356,990
Net expense recognised in the statement of financial performance		
Past service cost	-	-
Interest cost	129,000	143,000
Expected employer benefit payments/Current service costs	187,000	319,000
Actuarial (gains) / losses	506,000	(791,000)
	822,000	(329,000)
In conclusion		
Statement of financial position obligation for		
Post - employer medical benefits	201,751	190,134
Long service awards	2,135,990	1,356,990
	2,337,741	1,547,124
Statement of financial performance obligation for		
Post - employer medical benefits	11,617	2,310
Long service awards	822,000	(329,000)
	833,617	(326,690)
Post-employment medical benefit (gains) and losses		
Post - employer medical benefits (gains) and losses	20,918	10,306
Long service award loss	506,000	(791,000)
	526,918	(780,694)
6. Receivables from exchange transactions		
Trade debtors	53,224	57,334
Accrued Interest	76,029	974,325
	129,253	1,031,659
7. Receivables from non-exchange transactions		
Fines	336,848	166,210
Other receivables -Staff Debtors	13,260	10,250
	350,108	176,460

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015			
7. Receivables from non-exchange transactions (continued)					
Reconciliation of provision for impairment of receivables from non-exchange transactions					
Receivables traffic fines	656,016	378,200			
Provision for impairment	(319,168)	(211,990)			
	336,848	166,210			
8. VAT receivable					
VAT	4,249,733	2,653,512			
All 2015/16 Vat 201 were submitted to SARS					
9. Consumer debtors					
Gross balances					
Rates	26,229,259	21,319,965			
Refuse	498,268	463,815			
Sundry debtors	9,015,821	5,762,455			
	35,743,348	27,546,235			
Gross Balances	Organ of State	Commercial	Households	Other	Total
Current (0-30) days	336,443	277,776	558,447	1,567,985	2,740,651
31-60 days	370,583	110,668	324,745	733,273	1,539,269
61-90 days	361,146	66,541	299,502	451,806	1,178,995
91-120 days	356,414	40,285	274,936	450,626	1,122,261
121-365 days	2,619,519	176,713	1,798,445	3,258,225	7,852,902
> 365	6,201,478	561,585	5,569,304	8,976,903	21,309,270
	10,245,583	1,233,568	8,825,379	15,438,818	35,743,348
Less: Allowance for impairment					
Rates				(9,005,527)	(8,428,532)
Refuse				(174,389)	498
Sundry				(3,155,451)	(945,611)
				(12,335,367)	(9,373,645)
Net balance					
Rates				17,223,732	12,891,433
Refuse				323,879	464,313
Sundry				5,860,370	4,816,844
				23,407,981	18,172,590
Rates					
Current (0 -30 days)				2,290,825	2,148,446
31 - 60 days				1,122,910	884,141
61 - 90 days				756,081	792,830
91 - 120 days				746,059	752,711
121 - 365 days				4,970,836	5,843,213
> 365 days				16,342,548	10,898,624
				26,229,259	21,319,965

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
9. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	49,089	40,972
31 - 60 days	34,199	22,400
61 - 90 days	17,409	12,228
91 - 120 days	14,437	9,654
121 - 365 days	79,575	62,559
> 365 days	303,559	316,004
	498,268	463,817
Other (specify)		
Current (0 -30 days)	400,737	327,783
31 - 60 days	382,160	318,960
61 - 90 days	405,505	302,054
91 - 120 days	361,765	296,310
121 - 365 days	2,802,491	2,227,520
> 365 days	4,663,163	2,289,828
	9,015,821	5,762,455
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9,373,645)	(7,760,430)
Contributions to allowance	(3,467,395)	(1,867,816)
Debt impairment written off against allowance	505,673	254,601
	(12,335,367)	(9,373,645)
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2016, R 341 951 (2015: R 311,517) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Amount not past due or impaired	12,878,480	7,537,849
Amount past due but not impaired	341,951	311,517
Amount past due and impaired	22,522,918	19,696,869
	35,743,349	27,546,235
Consumer debtors impaired		
As of June 30, 2016, consumer debtors of R 22,522,918 (2015: R 19,696,869) were impaired and provided for.		
The amount of the provision was R 12,335,367 as of June 30, 2016 (2015: R 9,373,645).		
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Short-term deposits	37,103,338	44,161,653
Cash on hand	6,195	5,095
Bank balances	4,321,623	1,060,548
	41,431,156	45,227,296

Okhahlamba Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
First National Bank: 51660362710 Cheque Account	4,321,623	1,060,548	4,321,623	1,060,548
First National Bank: 74484333254: Fixed Deposit	-	736,925	-	736,925
First National Bank: 74484485427 Fixed Deposit	12,482,841	20,931,580	12,482,841	20,931,580
Absa Bank: 2074514859: Fixed Deposit	11,365,303	10,000,000	11,365,303	10,000,000
Investec : 1100463208500	13,255,194	12,493,148	13,255,194	12,493,148
Total	41,424,961	45,222,201	41,424,961	45,222,201

11. Finance lease obligation

Minimum lease payments due

- within one year	4,462,059	4,864,060
- in second to fifth year inclusive	6,176,429	10,592,977
	10,638,488	15,457,037
less: future finance charges	(1,635,869)	(2,774,045)

Present value of minimum lease payments

9,002,619	12,682,992
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Present value of minimum lease payments due

- within one year	4,462,059	4,865,879
- in second to fifth year inclusive	4,540,561	7,817,113
	9,002,620	12,682,992

Non-current liabilities	4,540,559	7,817,081
Current liabilities	4,462,059	4,865,879
	9,002,618	12,682,960

The average lease term was 3-5 years and the average effective borrowing rate for Vehicles was 17% to 23% (2015: 9% to 15 %) and for Laptops 10.5% (2015: 10.5%)

Interest rates are linked to prime at the contract date as non fixed depending on the circumstances. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The assets leased include vehicles and laptops.

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12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Housing Projects Grant	9,900,153	10,086,543
Baseline Grant	46,438	46,438
Disaster Relief Grant	-	1,612,000
Spatial Planning Grant	7,088	7,088
Art and Culture Subsidy	39,563	-
Small Town Rehabilitation Grant	-	2,601,856
Massification Grant	10,316,176	-
Mandatory LG Seta Grant	23,493	-
	20,332,911	14,353,925

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 17 for reconciliation of grants from National/Provincial Government

13. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Interest costs	Decrease in future value	Payments	Total
Environmental rehabilitation	5,112,844	-	102,106	(1,257,789)	-	3,957,161
Provision	625,141	829,100	-	-	(625,141)	829,100
	5,737,985	829,100	102,106	(1,257,789)	(625,141)	4,786,261

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	4,399,083	713,761	5,112,844
Provision	-	625,141	625,141
	4,399,083	1,338,902	5,737,985
Non-current liabilities		3,957,161	5,112,844
Current liabilities		829,100	625,141
		4,786,261	5,737,985

In terms of Grap 19, provisions should be evaluated at each year-end to reflect the best estimate at the date of the provision. (2015-due to the latest environmental assesment valuation report). The discounting rate for 2016 is 2% (2015-9%) the net results of the re-estimation had the following effect on the current year amount

Decrease in the provision for landfill site rehabilitation R3 957 161 (2015-R5 112 844)

Decrease in the cost of property, plant and equipment R0 (2015-R3 729 149.72).

The provisions also include Section 57 employees performance bonuses.

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14. Payables from exchange transactions		
Trade payables	5,466,739	4,609,139
Payments received in advanced	498,482	486,482
Retention	5,338,731	4,081,430
Salary control	-	22,629
Leave pay accrual	3,086,558	2,711,672
Unallocated Receipts	30,115	17,428
Sundry Payables	111,301	52,486
13th Cheque Accrual	1,003,970	899,379
Department of Water Affairs	104,344	-
	15,640,240	12,880,645

15. Revenue

Rendering of services	266,058	472,298
Service charges	1,906,783	400,869
Rental of facilities and equipment	78,416	72,926
Agency services	682,382	599,834
Other income	761,454	1,672,122
Interest received	3,848,570	3,910,304
Property rates	24,789,106	23,827,121
Property rates - penalties imposed	4,185,197	3,426,506
Government grants & subsidies	169,036,270	134,651,173
Public contributions and donations	1,198,665	319,055
Fines	889,252	591,271
Subsidies	1,089,265	1,230,705
	208,731,418	171,174,184

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,906,783	400,869
Rendering of services	266,058	472,298
Rental of facilities and equipment	78,416	72,926
Agency services	682,382	599,834
Other income	761,454	1,672,122
Interest received	3,848,570	3,910,304
	7,543,663	7,128,353

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	24,789,106	23,827,121
Property rates - penalties imposed	4,185,197	3,426,506

Transfer revenue

Government grants & subsidies	169,036,270	134,651,173
Public contributions and donations	1,198,665	319,055
Fines, Penalties and Forfeits	889,252	591,271
Subsidies	1,089,265	1,230,705
	201,187,755	164,045,831

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Figures in Rand	2016	2015
16. Property rates		
Rates received		
Residential	7,808,142	7,408,556
Commercial	3,034,077	2,866,451
State	4,464,852	3,994,690
Municipal	352,128	333,088
Small holdings and farms	5,556,712	5,231,081
Communal Land	2,171,105	2,060,100
Other	10,337,771	9,724,495
Less: Income forgone	(8,935,681)	(7,791,340)
	24,789,106	23,827,121
Property rates - penalties imposed	4,185,197	3,426,506
	28,974,303	27,253,627

Valuations

Residential	1,054,929,000	1,058,364,000
Commercial	410,048,000	409,493,000
State	606,330,012	570,670,012
Municipal	47,585,000	47,584,000
Small holdings and farms	2,987,324,000	2,989,189,000
Communal Land	293,310,000	294,300,000
Other	1,740,403,100	1,732,586,100
	7,139,929,112	7,102,186,112

Valuations on properties are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Interim Valuations have been received for 2015/16 financial year.

Assessments rates are determined by applying the following cents in the rand on the market valuation:

Agriculture properties used for agriculture purposes	0.00186	0.00175
Business and commercial properties	0.00740	0.00700
Industrial properties	0.00740	0.00700
Municipal properties, land reform, informal settlements, public worship	0.00740	0.00700
Public service infrastructure and Public benefit organisations	0.00186	0.00175
Residential Properties and State	0.00740	0.00700
Communal Land, Privately Developed, Tourism and Hospitality	0.00740	0.00700
Municipal properties binded by lease agreement	0.00740	0.00700

Rebates granted to:

Agricultural and Agricultural small holdings	20 %	20 %
Place of Worship, Communal Land and Municipal Property	100 %	100 %
Private Developed Estates	20 %	20 %
Public Service Infrastructure	100 %	30 %
Residential small holding and rural residential	20 %	20 %

A rebate is granted in terms of the MPRA on the first R15 000 of the market value of all residential properties . Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85,000 of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

Pensioners receive a 50% rebate on application. The rebate is applied on a sliding scale between the maximum allowed for indigent and a limit income of R14 000 per month. A 5% discount is applicable to rates settled on calculation, application and paid in advance for a specific financial year.

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16. Property rates (continued)

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 31 July 2016.

Interest at a fixed rate of 18% per annum (2015: 18 %) is levied on the rates outstanding one month after due date.

17. Service charges

Refuse removal	1,906,783	400,869
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Khethani RDP Housing area was previously exempted from refuse charges, as from July 2015 these properties are being charged the standard residential tariff and discounted as indigent.

18. Government grants and subsidies

Operating grants

Equitable share	98,494,000	79,269,000
Financial Management Grant(FMG)	1,800,000	1,800,000
Multi Purpose Community Centre Grant (MPCC)	-	7,882
Municipal Systems Infrastructure Grant (MSIG)	930,000	934,000
Pound Grant	-	1,371
Integrated National Electrification Programme Grant (INEP)	10,000,000	6,000,000
VAT Recovery	3,306,248	3,054,828
Department of sports Grant	-	168,807
Expanded Public Works Programme (EPWP)	1,803,000	1,159,000
Local Government Sectorial Education and Training Authority Work Integrated Learning (LG SETA Wil)	-	588,600
Local Government Sectorial Education and Training Authority (LG SETA)	5,469,200	10,615,250
Housing Grant	186,390	50,008
Massification Grant	9,683,824	-
	131,672,662	103,648,746

Capital grants

Municipal Infrastructure Grant (MIG)	24,149,752	23,482,172
Small Town Rehabilitation	2,601,856	7,462,422
Testing and Disaster Centre Grant - Cogta	7,000,000	-
Fresh Produce Markets	2,000,000	-
Disaster Relief Grant	1,612,000	57,833
	37,363,608	31,002,427
	169,036,270	134,651,173

Equitable Share

Current-year receipts	98,494,000	79,269,000
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In terms of the Constitution, this grant is used to subsidise provision for basic services

Finance Management Grant (FMG)

Current-year receipts	1,800,000	1,800,000
Conditions met - transferred to revenue	(1,800,000)	(1,800,000)
	-	-

Conditions met - (see note 12).

This grant was used for implementation of MFMA, finance reforms and payments of intern's salaries. No funds were withheld.

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18. Government grants and subsidies (continued)

Art and Culture Subsidy

Balance unspent at beginning of year	-	-
Current-year receipts	191,000	-
Conditions met - transferred to revenue	(151,437)	-
	39,563	-

Conditions still to be met - remain liabilities (see note 12).

This Subsidy is for cybercadet from Art and Culture. No funds are withheld.

Multi purpose community centre grant (MPCC)

Balance unspent at beginning of year	-	7,882
Conditions met - transferred to revenue	-	(7,882)
	-	-

Conditions met - (see note 12).

The grant was used to pay for the security and maintenance expenses of the multi purpose community centre. No funds were withheld.

Gijima KZN - Baseline study grant

Balance unspent at beginning of year	46,438	46,438
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Conditions still to be met - remain liabilities (see note 12).

This grant is used for the local economic development study. No funds were withheld.

Municipal systems Infrastructure grant (MSIG)

Balance unspent at beginning of year	-	-
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

Conditions met (see note 12).

This grant was used for the the implementation of IT systems. No funds were withheld.

Spatial planning grant

Balance unspent at beginning of year	7,088	7,088
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Conditions still to be met - remain liabilities (see note 12).

This grant was used for the development and improvement of the Municipality's spatial planning. No funds were withheld.

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18. Government grants and subsidies (continued)

Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	27,456,000	26,537,000
Conditions met - transferred to revenue	(24,149,752)	(23,482,172)
Vat Recovery	(3,306,248)	(3,054,828)
	<u>-</u>	<u>-</u>

Conditions met - (see note 12).

The grant is for the implementation of projects approved by MIG. No funds were withheld.

Massification Grant (Cogta)

Current-year receipts	20,000,000	-
Conditions met - transferred to revenue	(9,683,824)	-
Balance unspent	<u>10,316,176</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

This grant is for Electrification of households including Sandlwana. No funds were withheld.

Cogta - Testing and Disaster Centre Grant

Balance unspent at beginning of year	-	-
Current-year receipts	7,000,000	-
Conditions met - transferred to revenue	(7,000,000)	-
	<u>-</u>	<u>-</u>

Conditions met - (see note 12).

This grant is for construction of Testing and Disaster Centre . No funds were withheld.

Cogta- Fresh Produce Markets

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	<u>-</u>	<u>-</u>

Conditions met - (see note 12).

This grant is for construction of Fresh Produce Markets. No funds were withheld.

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Figures in Rand	2016	2015
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18. Government grants and subsidies (continued)

Small town rehabilitation grant

Balance unspent at beginning of year	2,601,856	812,026
Current-year receipts	-	12,865,000
Retention witten back	-	404,108
Conditions met - transferred to revenue	(2,601,856)	(7,462,422)
Re- instatement of debtor	-	(4,016,856)
	-	2,601,856

Conditions met - (see note 12).

This grant is for the rehabilitation of Okhahlamba municipal area. No funds were withheld.

Pound grant

Balance unspent at beginning of year	-	1,371
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(1,371)
	-	-

Conditions met - (see note 12).

This grant is for the creation and running of a pound. No funds were withheld.

Disaster relief grant

Balance unspent at beginning of year	1,612,000	57,833
Current-year receipts	-	1,612,000
Conditions met - transferred to revenue	(1,612,000)	(57,833)
	-	1,612,000

Conditions met - (see note 12).

This grant is for the construction of Ngubane gravel road and storm water management structures. No funds were withheld.

Department of sports and recreation grant

Balance unspent at beginning of year	-	168,807
Conditions met - transferred to revenue	-	(168,807)
	-	-

Conditions met - (see note 12).

This grant is used to cover expenses for security and caretaker at Dukuza sportfield. No funds were withheld.

Intergrated National Eletrification Programme (INEP)

Current-year receipts	10,000,000	6,000,000
Conditions met - transferred to revenue	(10,000,000)	(6,000,000)
	-	-

Conditions met - (see note 12).

This grant is for electrification of households. No funds were withheld.

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18. Government grants and subsidies (continued)

Housing projects

Balance unspent at beginning of year	10,086,543	10,136,551
Conditions met - transferred to revenue	(186,390)	(50,008)
Balance Unspent	9,900,153	10,086,543

Conditions still to be met - remain liabilities (see note 12).

The grant is for the construction of housing. The Housing Projects grant revenue is currently part of the forensic investigation, which is ongoing, thus the using of these funds were obtained via Councillors resolution. The projects identified for funding have already been paid for by the Department of Human Settlements.

Local Government Sectorial Education and Training Authority (LGSETA WIL)

Balance unspent at beginning of year	-	294,300
Current-year receipts	-	294,300
Conditions met - transferred to revenue	-	(588,600)
	-	-

Conditions met (see note 12).

This grant is provided for the work integrated learning programme in implementing the National skills development strategy for the provision of experiential training to further education and training graduates. No funds were withheld.

Expanded public works programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1,803,000	1,159,000
Conditions met - transferred to revenue	(1,803,000)	(1,159,000)
	-	-

Conditions met - (see note 12).

This grant is for the salaries and operational costs of the contract employees for Extended Public Works Programme. No funds were withheld.

Local Government Sectorial Education and Training Authority Grant (LG SETA)

Current-year receipts	5,469,200	10,615,250
Conditions met - transferred to revenue	(5,469,200)	(10,615,250)
	-	-

Conditions met (see note 12).

This grant is provided for the work integrated learning programme in implementing the National skills development strategy for the provision of experiential training to further education and training graduates. No funds were withheld.

Mandatory LGSETA Grant

Current-year receipts	23,493	-
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Conditions stil to be met (see note 12).

The grant is from LGSETA.

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19. Public contributions and donations

Public contributions and donations	1,198,665	319,055
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During 2015/16 financial year the municipality received donations of computers, furniture and plant and machinery for Testing centre and R20 000 (Sponsorship Tourism Award) from FNB

20. Other income

Business Licenses	18,053	26,162
Fees for photocopies and subscriptions	57,091	22,350
Rates Clearance	52,413	34,737
Tenders	399,449	137,106
Valuation Roll	1,668	1,009
Taxi rank fees	5,693	6,667
Sundry revenue	227,087	1,444,091
	761,454	1,672,122

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Figures in Rand	2016	2015
21. General expenses		
Advertising	628,309	529,618
Arts and Culture	218,523	262,962
Audit committee fees	268,859	366,134
Auditors remuneration	1,413,392	1,169,681
Awareness initiatives	235,182	753,130
Bank charges	72,737	107,544
Communications and Public Relations	152,493	127,869
Community outreach	-	534,128
Conferences and seminars	138,067	134,215
Consulting and professional fees	5,690,114	7,095,589
Consumables	1,171,540	1,004,634
Disaster and emergencies	341,816	178,740
Education Support	880,643	570,729
Electricity	912,775	812,963
Electrification Projects	21,685,235	9,701,827
Free Basic Electricity	2,075,427	2,844,763
Fuel and oil	3,782,909	3,252,108
IT expenses	825,120	305,197
Indigent Support	1,468,206	99,554
Insurance	506,445	691,869
Job Creation	3,558,162	3,474,704
Learnership Programme	4,994,171	9,981,578
Library Awareness	-	2,207
Library Books	-	7,716
Local Economic Development	-	240,212
Marketing	154,906	253,495
Medical expenses	-	26,720
Pauper Burials	158,150	103,500
Postage and courier	52,940	63,106
Pound running costs	-	1,371
Printing and stationery	573,576	397,556
Promotions	533,759	134,071
Public Participation	3,141,106	814,342
Rental of Offices and Office Machines	681,056	912,721
Roadmarkings	79,043	52,060
SMME Fund	4,310,356	5,506,329
Scholar Patrol	80,080	59,000
Security (Guarding of municipal property)	2,728,184	2,200,853
Small Tools	151,763	208,126
Sport Promotions	229,748	152,053
Strategic Planning	511,053	563,400
Subscriptions and membership fees	1,019,207	653,991
Support physically challenged	649,960	82,950
Telephone and fax	2,019,555	1,745,366
Tourism development	222,234	-
Training	2,254,523	1,075,353
Uniforms	55,267	101,101
Valuation Expense	214,619	100,925
Ward Committee	648,200	709,876
Water	581,832	80,976
Youth Programme	-	546,413
	72,071,242	60,795,325

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Figures in Rand	2016	2015
22. Employee related costs		
Basic	30,450,266	26,796,887
Bonus	2,756,574	3,603,038
Medical aid - company contributions	1,079,416	998,786
UIF	261,926	235,222
SDL	382,118	332,517
Leave pay provision charge	779,371	571,139
Travel, motor car, accommodation, subsistence and other allowances	2,532,638	2,135,775
Overtime payments	1,915,214	985,833
Long-service awards	52,159	10,238
Car allowance	2,379,755	1,981,948
Housing benefits and allowances	507,107	369,026
Telephone allowance	269,106	281,229
SALGA	13,971	12,604
Provident Fund	1,303,751	1,221,093
Post employee benefits - Pension	4,112,769	3,351,698
	48,796,141	42,887,033
Remuneration of Municipal Manager		
Annual Remuneration	831,866	783,583
Car Allowance	156,000	145,000
Performance Bonuses	127,643	127,643
Subsistence and travel reimbursement	-	12,086
	1,115,509	1,068,312
Remuneration of Chief Finance Officer		
Annual Remuneration	569,199	551,471
Car Allowance	192,000	182,400
Performance Bonuses	109,158	70,173
Subsistence and travel reimbursement	-	10,160
Housing and other allowances	84,000	60,000
	954,357	874,204
Remuneration of Director Social Services		
Annual Remuneration	581,295	553,967
Car Allowance	144,000	120,000
Performance Bonuses	109,157	70,173
Housing and other allowances	120,000	120,000
	954,452	864,140
Remuneration of Director Technical Services		
Annual Remuneration	547,370	515,390
Car Allowance	168,000	162,000
Performance Bonuses	109,158	109,158
Housing and other allowances	129,671	116,897
	954,199	903,445

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22. Employee related costs (continued)		
Remuneration of Director Corporate Services		
Annual Remuneration	718,705	144,493
Car Allowance	168,000	22,500
Performance Bonuses	27,289	-
	913,994	166,993
23. Remuneration of councillors		
Councillors	8,542,322	8,122,456
UIF and SDL	62,675	59,765
	8,604,997	8,182,221
Mayor		
Annual Remuneration	568,509	538,871
Travel allowance	189,503	179,624
Cellphone Allowance	20,868	20,868
SDL	6,810	6,434
	785,690	745,797
Deputy Mayor		
Annual Remuneration	454,808	431,097
Travel allowance	151,603	143,699
Cellphone Allowance	20,868	20,868
Subsistence and travel reimbursements	-	-
SDL	5,309	5,055
	632,588	600,719
Speaker		
Annual Remuneration	450,263	431,097
Travel allowance	151,603	143,699
Cellphone Allowance	20,868	20,868
SDL	4,627	4,777
	627,361	600,441
Exco		
Annual Remuneration	710,592	648,853
Travel allowance	233,826	218,084
Cellphone Allowance	62,604	62,604
Subsistence and travel reimbursements	7,901	9,178
SDL	7,484	6,907
	1,022,407	945,626
Councillors		
Annual Remuneration	3,787,482	3,602,346
Travel allowance	1,263,309	1,200,782
Cellphone Allowance	455,618	459,096
Subsistence and travel reimbursements	39,389	34,966
SDL	38,445	36,591
	5,584,243	5,333,781

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23. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has one full-time bodyguard, full-time driver and the use of a Council owned vehicle.

The Deputy Mayor has the use of a separate Council owned vehicles for official duties and has one full-time bodyguard and a driver.

The Speaker has one full-time driver and the use of a Council owned vehicle .

Accounting Officer's certification of Councillors remuneration

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

Subsistence and travelling reimbursement

The councillors' subsistence and travelling reimbursement have been included under general expenses in the statement of Financial Performance.

24. Debt impairment

Debt impairment - Consumer Debt	3,467,395	1,867,816
Debt impairment-Traffic Fines	319,168	211,990
	3,786,563	2,079,806

25. Interest received

Interest revenue

Interest Received - Current Account	1,023,033	670,833
Interest received - Investments	2,825,537	3,239,471
	3,848,570	3,910,304
	-	-
	3,848,570	3,910,304

26. Depreciation and amortisation

Commitments	15,402,890	13,426,752
Intangible assets	217,891	141,710
	15,620,781	13,568,462

Refer to reconciliation in note 4 and 3 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

27. Impairment loss/reversal of impairment assets

Impairments

Commitments	-	662,887
	-	662,887
	-	-

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Figures in Rand	2016	2015
28. Finance costs		
Finance leases	1,347,178	1,680,088
29. Auditors' remuneration		
Fees	1,413,392	1,169,681
30. Operating lease		
The Municipality is leasing 15 photocopiers from Technology Acceptance and monthly rental expense has been accounted for in the statement of Financial Performance. The average lease term is 2 years with 0% escalation. the escalation is fixed for the duration of the contract. No arrangements have been entered into for contingent net obligation under operating lease are secured by the lessor's title to the asset.		
Minimum Lease Due		
Within one year	788,136	-
In second to fifth year inclusive	788,276	-
	1,576,412	-
31. Cash generated from operations		
Surplus	50,678,992	29,007,265
Adjustments for:		
Depreciation and amortisation	15,620,781	13,568,462
Profit / Loss on sale of assets and liabilities	2,207,537	9,495,433
Deemed cost of asset	-	(57,071)
Finance costs - Finance leases	1,347,178	1,680,088
Debt impairment	3,786,563	2,079,802
Movements in retirement benefit assets and liabilities	790,617	(780,694)
Movements in provisions	(951,724)	819,654
Changes in working capital:		
Receivables from exchange transactions	902,406	1,053,161
Consumer debtors	(9,021,954)	(6,778,432)
Other receivables from non-exchange transactions	(173,648)	3,884,276
Payables from exchange transactions	2,759,592	(9,062,779)
VAT	(1,596,221)	2,660,646
Unspent conditional grants and receipts	5,978,986	2,821,629
	72,329,105	50,391,440

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Figures in Rand	2016	2015
32. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	66,690,849	28,801,906
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	12,585,368
Total capital commitments		
Already contracted for but not provided for	66,690,849	25,264,830
Not yet contracted for and authorised by accounting officer	-	11,039,797
	66,690,849	36,304,627
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational Project already contracted for	7,938,535	6,300,303

33. Contingent liabilities

The Municipality was defending a claim against SS Hlongwane being for the removal of fencing around the Plaintiff's farm, which arose on February 2013 and defending a case by Dumezweni Accountants CC in respect of debt/ liquidated demand, which arose in November 2011. These cases were resolved and there was no liability

The Municipality is defending a claim against Farrel Inc. Attorneys in respect of legal fees which arose in May 2014. The amount of the claim is R45 019.53 plus interest up to date of final payment.

Contingent assets

No contingent assets exist for the period ended 30 June 2016 (2015:R nil)

34. Change in Accounting policy

Commitments

The municipality change its Accounting Policy for commitments disclosure, the commitments were previously disclosed exclusive of VAT, however now disclosed inclusive of VAT.

Capital commitments approved and contracted for as previously reported 2015:R25 264 830 (2016:R28 801 906.), movement R 3 537 076.

Capital commitments approved but not yet contracted for as previously reported 2015: R11 039 796.82 (2016: R12 585 368,37), movement R1 761 571.55.

Operational commitments approved and contracted for as previously reported 2015: R5 526 582 (2016: R6 300 303,48), movements R773 721.48.

35. Prior period errors

The prior year error was a result of provision for performance bonuses, 13th cheque bonuses previously not raised and reclassification of staff debtors previously reclassified under receivables from exchange transactions instead of receivables from non exchange transactions.

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35. Prior period errors (continued)

		Previously stated	Reclassification	Correction of error	Restated
Statement of Financial Position					
Receivables from non-exchange transactions	7	166,210	10,250	-	176,460
Receivables from exchange transactions	9	1,041,909	(10,250)	-	1,031,659
		1,208,119	-	-	1,208,119
Non-current assets					
Provisions	11	-	-	625,141	625,141
Payables from exchange transaction	14	11,981,269	-	899,379	12,880,648
		11,981,269	-	1,524,520	13,505,789
Net assets					
Accumulated surplus		217,626,156	-	(1,524,520)	216,101,636
		217,626,156	-	(1,524,520)	216,101,636
Employee related costs	22	(41,362,513)	-	(1,524,520)	(42,887,033)
		(41,362,513)	-	(1,524,520)	(42,887,033)

36. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Other: Lease Obligations	4,462,059	4,865,879
Trade and Other payables	15,640,240	12,880,645
Maximum liquidity exposure	20,102,299	17,746,524

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Cash and cash Equivalents	41,431,156	45,227,297
Trade and other receivables	23,537,234	19,204,249

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36. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash and cash Equivalents	41,431,156	45,227,297
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Price risk

Due to legislative restrictions, the municipality does not trade these investments.

37. Events after the reporting date

Events after the reporting date is as follows;:

- On the 20th August 2016, Amunicipal vehicle (NB 3155) got involved in accident.
- The accident was reported to the South African Police Service and a claim has been submitted to the insures. The outcome from the insurers is still pending

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38. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	790,939	-
Interest and penalties	907	128,729
Payroll fictitious employees	-	776,395
Written off by Council	(15,451)	(114,185)
	776,395	790,939

Incidents - 2015/16

Interest and Penalties

The fruitless and wasteful expenditure in the amount of R907.15 related to interest charged by Eksom, Telkom, An amount of R14 543.85 refers to recognition of Sars assessment - Vat incorrectly claimed on entertainment expenditure resulted on interest and penalties on assessment conducted by Sars in respect of August and October 2014 invoices, this amount was reported as Irregular the previous year and written off by the Council in the current year. An amount of R776 395 is a result of misconduct by a former employee, case was opened against employee for payment to ghost employees and the case is currently under investigation by South African Police Service.

39. Irregular expenditure

Opening balance	13,821,849	13,821,849
Contracts	186,390	17,076
Tenders	-	2,911,519
Quotation	-	5,799
Written off by Council	(186,390)	(2,934,394)
	13,821,849	13,821,849

Incident 2015/16

Opening balance

This relates to forensic investigations related to prior years 2007/2008, 2008/2009 and 2009/2010. The reports that have been concluded have been reported to the South African Police Services and included in irregular expenditure. The amounts are yet to be written off by Council, pending the outcome of the court cases.

Contracts

This relates to long overdue outstanding debt for stage 1 on Acton homes housing project. The payment made without any valid contract or proof that all Scm processes were followed (R186 390.11). This amount was written off by Council.

Quotation

This relates to 2014/15 expenditure that was incurred without obtaining three quotations.

Irregular expenditure also related to inappropriate procuring of service with Ilanga Newspaper due to non existence of contract and the advert was placed directly to the Newspaper

Tender

The amount relating to 2014/15 tender relating to SCM manipulation by former employee, there were no financial losses incurred by the Municipality.

Investigations in progress

The forensic investigation regarding the missing documents in respect of the 2007/2008, 2008/2009 and 2009/2010 financial periods continues. The reports that have been concluded have been reported to the South African Police Services and included in irregular expenditure.

Another investigation commenced towards end of last financial year regarding a misconduct by former employee regarding SCM allegations and the investigation is in progress by South African Service.

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40. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	4,709
Current year subscription / fee	1,413,392	1,169,680
Amount paid - current year	(1,413,392)	(1,174,389)
Amount paid - previous years	-	-
	-	-

PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	7,573,658	6,209,091
Amount paid - current year	(7,573,658)	(6,209,091)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	9,675,623	8,201,186
Amount paid - current year	(9,675,623)	(8,201,186)
	-	-

VAT

VAT receivable	4,249,733	2,653,512
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VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors were in arrears as at 30 June 2016.

Supply chain management regulations

Quotations: In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to emergencies and instances where it was impossible to follow SCM processes..

Bids: In terms of regulation 36 of the Municipality Supply Chain Management Regulation, any deviations from Supply Chain Management Policy has been approved by the Municipal Manager and noted by the Council.

In terms of the regulation 45 of the Municipal Supply Chain Management Regulations, the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R 2000 to a person who is a spouse, child or parent of a person in the service of state, or has been in the service of state in the previous 12 months. The municipality is currently limited to the issuing of declaration forms (MBD4) and does have a system / national database to identify such suppliers.

Quotations	2,455,662	2,110,926
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